

USAID Supports Good Governance In Latin America and the Caribbean

...when governments fail to meet the most basic needs of their people, these failed states can become havens for terror (George W. Bush, March 14, 2002)

For many reasons, local institutions often times are more capable of adapting to changing social and economic conditions. The advantage of locally initiated change is in facilitating gradualism and therefore feedback and learning. Successful local experiments teach valuable lessons, build public confidence in innovative policies, and provide a testing ground for change that may well go unheeded in a centralized political setting. (Deputy USAID Administrator Frederick W. Schieck, June 22, 2004)

For most people, their government's ability to provide basic services and improve living standards is where democracy succeeds or fails. (Ambassador Roger Noriega)

Introduction

Despite promising indicators of economic recovery in the region, per capita incomes in Latin American and Caribbean (LAC) countries have declined significantly since 1998 due to poor economic performance. Widespread poverty in some areas has resulted in political discontent and has raised questions about the health of the region's democracies.

The 2004 United Nations Development Program (UNDP) Report on Democracy in Latin America (http://www.undp.org/democracy_report_latin_america/) draws attention to the declining public faith in the institution of democracy due to persistent poverty and government's inability to effectively deliver public services, such as education, health and public security. While most citizens tend to prefer democracy over other forms of government, this preference is not necessarily solid. (In 1996, 61 percent of those surveyed preferred democracy to any other form of government, while in 2002, only 57 percent did).

In 2002, almost half of those that said they prefer democracy to any other form of government also preferred economic development over democracy. Moreover, nearly 45 percent of those that said they would prefer democracy indicated that they would prefer an authoritarian government if that government could resolve the economic problems of the country.

These statistics underscore the importance of good governance and citizen support to the acceptance of long term democracy in the LAC region.

“Good governance is perhaps the single most important factor in eradicating poverty and promoting development,” UN Secretary-General Kofi Annan said recently.¹ Good governance alleviates poverty and promotes economic growth by encouraging investment flows. In turn, increased foreign investment encourages human welfare, trade expansion and political stability — opening new, dynamic markets for US goods and services, establishing secure, promising environments for US investment, and creating zones of order and stability.

USAID recognizes that quality governance positively influences the sustainability of development, and this is a vital priority to eradicate poverty, encourage economic development, promote sustainable infrastructure development, foster public sector legitimacy, eradicate disease and bring about an end to global terrorism.

USAID’s program in the LAC region focuses on the following:

- Supporting the Free Trade Agreement of the Americas (FTAA) and other regional trade agreements through regional trade capacity building and improving market access;
- Strengthening democratic institutions and processes;
- Improving the quality of education;
- Protecting the region’s biodiversity;
- Supporting new environmental technologies and partnerships;
- Improving the health status of the region’s population, with a particular emphasis on women and disadvantaged groups;
- Program development and assessment; and
- Advancing cooperative opportunities in the hemisphere.

While foreign aid supports good governance and democratic unity, local leadership and citizen participation are crucial factors that, if in place, will ensure the sustainability of good government practices. USAID’s Office of Democracy and Human Rights (DHR) in the LAC Bureau strengthens democracies by supporting local governments — the essential building block of democracy.

Why local government?

Presidents from throughout the Americas convened at the 1998 Summit of the Americas, where they reaffirmed their commitment to strengthen local and other sub-national governments and explored ways to transfer additional responsibility to these governments. They recognized that in addition to ensuring delivery of services, local governments are a conduit to attract greater public participation to address root causes of poverty and underdevelopment. Through local involvement, all sectors of society can contribute to economic and social transformation.

Local governments have a better understanding of local needs, and local leaders are equipped with immediate knowledge of the communities they serve. A citizen's initial plea for assistance on a governing issue is typically with his local entity, and local leaders are in the best position to determine the work that needs to be done.² With local participation and resources, local office holders usually have the insight to make the most sound and timely judgments in times of crisis.

Local governments often provide services more efficiently and quickly than central governments. In the Salvadoran *Municipalidades en Acción* project, for example, municipal governments provided public works at costs from one-third to two-thirds lower than when the same types of works were implemented by central government agencies.³ This typically is because local managers exercise closer supervision, greater control over work crews, and shorter travel distances to work sites. Local managers are accustomed to closer scrutiny by the public and respond better to greater accountability by elected and appointed local officials.

This close relationship with the public includes collection of taxes. "USAID-financed surveys in Central America have shown that citizens have a higher degree of confidence in local governments than in other levels or institutions of democratic governments."⁴ This confidence translates into commitment. Since citizens and local businesses can see the connection between paying taxes and development in their communities, local governments are better equipped to collect property taxes and fees.

Finally, local governments are better able to ensure that local processes are democratic. As immediate witnesses to voters' needs and reactions, local governments have the potential to build community consensus around controversial issues. Without a strong linkage between local government and citizens, support for development projects may be weak and public acceptance poor. "In addition, citizens can be more easily brought into the process of setting priorities, implementing programs, and monitoring results at the local level. Organized civil society can more easily include wide community participation in assistance programs. In short, the decision-making processes about development are more likely to be democratic and participatory when the processes are at the local level rather than the national."⁵

² USAID, "Municipalities in the Reconstruction and Transformation of Central America and the Caribbean: Discussion Paper for the Consultative Group for the Reconstruction and transformation of Central America," p. 2.

³ Ibid.

⁴ Ibid.

⁵ USAID, "Municipalities in the Reconstruction and Transformation of Central America and the Caribbean: Discussion Paper for the Consultative Group for the Reconstruction and transformation of Central America," p. 3.

Status of Local Government in Latin America and the Caribbean

Thriving local democracies continue to be the exception in Latin America. The region's monumental decentralization reforms of the late 20th and early 21st Century yielded landmark reforms — such as Bolivia's Popular Participation Law and Colombia's transformation into one of the most decentralized countries in Latin America. But these reforms have not necessarily led to a wide scale existence of local democratic governance.

A primary reason for this is that decentralization and the development of local democratic governance is a gradual process that entails incremental reforms over a long period of time (decades, in most cases). In Latin America, this is exacerbated by extremely centralized political party systems, a lack of commitment on the part of national elites to change current political and governance practices, the unwillingness of national officials to cede power to sub-national levels of government, and the fear of creating or fueling macroeconomic fiscal troubles.

While most LAC countries have transitioned to democracy and are in the process of expanding economic growth, many exhibit growing problems of governance that erode the state's legitimacy, undermine stability and hinder development's progress. This impedes political stability and trade readiness — and leaves many people behind in poverty. Poverty is exacerbated by the failure of central governments to consistently and efficiently deliver community services to local communities.

Progress in decentralization may be measured along three dimensions of power: political, administrative, and fiscal. Progress in each of these areas at the local level feeds the emergence of local democracy. Most Latin America democracies are deficient in each of these areas.

A recent report by International City and County Management Association (ICMA) on decentralization in six Central American countries demonstrated that the principle challenges now facing local governance reformers include:

- Placing institutional development goals above partisan political objectives;
- Increasing local taxing authority and tax collection;
- Obtaining central government cooperation on decentralization policies and action plans;
- Gaining consensus for municipal government civil service laws;
- Improving municipal government skills, particularly in open and effective financial management;
- Expanding use of mechanisms for citizen participation; and
- Developing municipal skills to support popular decision-making and effectively address economic growth and social challenges.

Municipal democracy has expanded rapidly in the LAC region in the past two decades. 'In 1980, only three Latin American countries elected their mayors. Today, every Central American country has direct local elections. As a result, citizens can hold governments directly accountable. A new generation of mayors is serving as a catalyst

for local development, providing more and better basic services and ensuring that public decisions include wider public participation.”⁶

USAID’s Efforts

USAID’s DHR office in the LAC Bureau recognizes that strong and effective local governments are essential to affect economic and social development. Therefore, DHR strives to strengthen regional approaches to address public sector credibility by:

- Strengthening local governance and
- Expanding avenues to reduce crime and violent conflicts.

Strengthening Local Governance

In 1998, USAID awarded ICMA a cooperative agreement for a five-year program to strengthen the exchange of information regarding local government donor programs in the LAC region to provide technical leadership on networking and local government training.

In 1999, ICMA established the *International Forum for Cooperation on Local Government in Latin America* (the Forum). More than 20 member entities constituted the Forum, including the World Bank, the Inter-American Development Bank, the Organization of American States (OAS) and the United Nations (UN).

The objectives of the Forum are to:

- Improve donor consultation mechanisms;
- Promote information sharing and networking, and
- Provide guidance on the design of local government training programs.

ICMA assumed the role of Technical and Executive Secretariat of the Forum, in direct response to a mandate from the 1998 Summit of the Americas to promote the sharing of experiences between international donor agencies in support of the cooperation and strengthening municipal and regional governments. The Forum encouraged collaboration between donor organizations and local governments to promote communication of experiences and best practices in key areas of local governance, including citizen participation, performance measurement, municipal finance and regional/local economic development.

ICMA utilizes its website (www.lacforum.org) to provide access to a comprehensive database on donor programs and activities related to decentralization and local governance. It has country specific coordination studies that can help donor agencies improve their technical assistance operations.

The action plan endorsed at the 2001 Summit of the Americas in Quebec identifies the strengthening of local governments as a priority.

⁶ Ibid.

To promote decentralization in the region, the 2001 Summit Action Plan also endorsed a first-ever OAS meeting of high level government authorities to take the lead on the issue. During this meeting, OAS members established the Inter-American Decentralization Network (RIAD, or *Red InterAmericana para la Decentralización*) under the authority of the OAS. The final declaration issued explicitly required this decentralization network to establish ties with local government associations in Latin America as well as with the Forum.

By bringing together national authorities and local government representatives in a regional, non-confrontational setting, RIAD serves as a critical mechanism to advance local governance and decentralization in the LAC region.

The second phase of the Cooperative Agreement, from 2004-2006, will focus on promoting municipal development and responding to USAID mission demand-driven assistance for:

- Capacity building (including e-learning and training);
- Local economic development, and
- Municipal finance options.

Capacity Building

USAID and ICMA are working to strengthen the skills of the Federation of Municipalities of the Central American Isthmus (*Federación de Municipios del Istmo Centroamericano* – FEMICA; as well as the Latin American Federation of Cities, Municipalities and Associations (*Federación Latinoamericana de Ciudades, Municipios y Asociaciones* – FLACMA; and the RIAD.

Each is discussed below:

FEMICA is an organization of Central American cities dedicated to strengthening municipalities by promoting inter-municipal cooperation, international collaboration, investigation, and analysis. The organization offers technical assistance for Central American cities and documents successes in local government.

Its sister organization, FLACMA, works to consolidate national associations of local governments regionally and to incorporate other local players dedicated to the promotion of local governments in South America.

Through FEMICA and FLACMA, the Forum allows local government officials and civic organizations to form cross-border coalitions to share best practices. Municipal government experts and civic activists have evolved out of these associations, many joining with non-government organizations (NGOs).

ICMA's revised work plan (December 2003) advocated technical assistance to FEMICA and FLACMA. Specifically, ICMA provides technical assistance and training as stipulated in its business plan and in the ICMA assessment, *Trends in Decentralization, Municipal Strengthening and Citizen Participation in Central America, 1995-2003*.

ICMA continues to work with FEMICA to ensure its financial stability. It is expected that by the end of the cooperative agreement period, FEMICA (with the assistance of ICMA) will have developed at least two alternative sources of income to fund its operations and will have expanded its outreach activities and communication with its members.

ICMA currently works with FEMICA in two main areas to promote FEMICA's financial viability:

- The implementation of an annual municipal *feria* as an income-generating activity and an alliance building opportunity to promote public-private alliances in the region and
- The development of FEMICA's institutional capacity to function as a regional center for performance measurement in Central America.

The above mentioned ICMA and FEMICA collaborate to create a center dedicated to maintaining up-to-date measures of performance. For a fee, cities can join the center, utilizing resources and gaining access to leading edge initiatives in performance measurement for the region.

ICMA also facilitates roundtable discussions regarding best practices and current challenges facing FEMICA in Washington and in Central America. Based on these discussions, ICMA can decide how best to collaborate with FEMICA. ICMA also provides technical assistance and training to strengthen FEMICA's skills to promote and disseminate electronic courses as well as best practices on traditional training.

ICMA also provides technical assistance to FLACMA and is helping it to develop a strategic communication network among municipal associations in South America (linking through existing websites and portals). The anchor for the network is expected to be FLACMA's portal and will enable participants to exchange of information online as well as participate in roundtables and workshops. Ultimately, this project will expand FLACMA's ability to collect, synthesize and analyze regional trends. It will also foster regional dialogs on key municipal issues.

ICMA also assists the RIAD by bringing together local government and civic representatives to work on common decentralization goals. It created a Technical and Financial Support Group (of International Cooperation Agencies and regional organizations) and plans to organize a "Marketplace of Ideas" that will showcase best practices in decentralization in areas such as health, education and other services.

Success Story:

Local Governance in Ita, Paraguay

Located in the remote regions of Paraguay, the Ita municipality depended on a dirt road for access to vital services, including clinics, schools, jobs, markets. Heavy rain storms could impede access to these services for days. With USAID assistance, Ita Mayor Rafael Velazquez held a community meeting in which he asked local residents to identify the municipality's top priorities. The community collectively identified paving the road. With newly collected tax revenue, the city hired local workers to pave the road with locally-sourced cobblestones. Today, the road provides easy access to neighboring municipalities and markets. City residents have agreed to the assessment of a voluntary fee to supplement maintenance and eventually expand the paved road.

Ultimately, RIAD members will establish a better understanding of the key role cities can play to promote democratic practices and local governance in the region.

RIAD's Technical Secretariat is currently planning a series of sub-regional events to bring together state and city government representatives, including FLACMA and FEMICA.

During the initial meetings, ICMA conducted a training session in Bolivia and Nicaragua and concluded that there was inadequate allocation and poor use of training resources in these countries. As a result it conducted a campaign to promote dialog between training providers, donor agencies, municipal associations and university centers and to build expertise in traditional and non-traditional training.

It also advocated creation of a "roadmap," to which consists of a series of recommendations on training local public officials. The roadmap's recommendations include:

- An analysis of the current situation,
- The desired scenario, and
- The initial recommendations to implement virtual and distance training programs

It is anticipated that cooperation between development agencies, universities and municipal associations will be strengthened via the citizen empowerment and the professionalization of officials.

In 2004, ICMA updated this Roadmap, based on a meeting of senior officials from multilateral organizations, civic associations and educators. During this conference, participants created a new network -- The Maryland Group -- to foster discussions and to coordinate future efforts to train public officials on the use of information and communication technologies. ICMA will moderate the virtual network. The data from the Roadmap is available at www.lacforum.org. ICMA will also design and implement a pilot online training program for cities based on Roadmap recommendations.

Decentralization, Municipal Strengthening and Citizen Participation in Central America, 1995-2003," which summarized progress and challenges in achieving local democratic development in the region. The report takes a special look at the municipal associational movement and evaluates new, innovative locality-driven programs (e.g. *mancomunidades*) that are contributing to local economic development.

Success story: *mancomunidades*

In many cases where the chasm between central and local governments has resulted in a gap in services for communities, local governments have taken matters into their own hands through creating *mancomunidades*, or special authorities designed to fill gaps in service. *Mancomunidades* took over the provision of essential services, including road maintenance, environmental protection and economic development. Today, the spirit and concept that these local authorities pioneered is spreading, especially in Central America.

- Guatemala now has eleven *mancomunidades* in operation; El Salvador has fifty; Nicaragua has seven; Costa Rica has ten; Panama has four.
- Honduras has fifty-five *mancomunidades*; *mancomunidades* in Honduras manage regional development projects, natural resource management, and municipal administration.

Currently, only ten percent of 16,000 municipalities are connected to the Internet in the LAC region. The Academy for Educational Development (AED), with support from the USAID Bureau for Economic Growth, Agriculture and Trade (EGAT), is working to connect a select number of municipalities to the Internet to expand connectivity, enhance cross-border coalitions, and promote information sharing and networking.

The Dot Org Program is a two-year program that allows USAID country missions to work on expanding connectivity in the region. It runs through September 2005. The Dot Org Program grew from a recommendation from the 2001 Summit of the Americas and promotes increased use of online networks as a means to enhance political, social and economic integration throughout the hemisphere.

The project's objectives are to:

- Rescue USAID's investment (via USGS) in GIS technologies in Central America which have been underutilized and harness them for local taxation, zoning, planning and open government, and to
- Build connectivity and e-learning cultures among municipalities.

Activities under this program aim to:

- Promote Internet connectivity among medium and small cities;
- Promote information exchange on e-government pilot activities through FEMICA's Virtual Web Portal for Public Administrators of Central America; and
- Support the development of communities of practice in the region for specialized ICT uses (e.g. Geographic Information Systems (GIS)).

Additionally, USAID and AED upgrade FEMICA's website (www.femica.org) to make it more responsive to member cities. Municipalities may now access free email via FEMICA's website, and engage in online discussion groups regarding issues of importance to local government officials.

Municipal Finance

Due to a history of weak local governments, natural disasters, and the rapid rate of urbanization, Latin American and Caribbean municipalities confront significant challenges to public service provision and infrastructure. USAID, in partnership with ICMA, is working to establish the foundation necessary to support a sustainable municipal finance system. ICMA encourages the promotion of innovative and low cost approaches for updating property tax systems through regional associations.

Expand Approaches to Reduce Crime and Violent Conflict

USAID's DHR in the LAC Bureau has created the Inter-American Coalition for the Prevention of Violence (IACPV) to disseminate and implement strategies to reduce

Municipal government associations are membership organizations, made up of representatives from municipal governments. Once municipal government officials established FEMICA as the regional association of municipalities, they began to establish national municipal associations. These associations are now collaborating through national, regional and sub-national associations, to advance common interests and to strengthen collaborative efforts in the performance of their respective functions.

crime and violence. It created the IACPV following a Quebec Summit of the Americas mandate to enable local governments to take leadership roles in violence and conflict prevention.

Comprised of members of USAID, the Inter-American Development Bank (IDB), OAS, the United Nations Educational, Scientific and Cultural Organization (UNESCO), the World Bank, the Centers for Disease Control (CDC) and the Pan-American Health Organization (PAHO), the IACPV is an 18-month pilot project that combines technical assistance from member organizations. In addition it collects and disseminates best practices information, establishes data standards and collection methodologies, and carries out assessments on violence and crime at the local, regional and national levels.

Ultimately, the IACPV encourages member cities to utilize violence indicators to formulate municipal violence prevention plans.

Regional Programs

Nearly every USAID Mission in the LAC region has a program to strengthen municipal governments.

Central America

USAID local government strengthening activities in the Central America region generally fall within four sets of programs:

- Technical assistance/training for municipal officials and staff;
- Policy dialog/information sharing on critical city development issues and concerns;
- Municipal association strengthening; and
- Use of information and communications technologies (ICTs).

The emphasis consistently has been on small and medium sized cities. A new regional Central American local governance program (which will initially be implemented in Guatemala, El Salvador, and Honduras) is in its formation stage and aims to complement and strengthen Missions' activities to focus on information exchange and sharing of best practices related to:

- Municipal Resource Management and Finance;
- Municipal Responsiveness (with emphasis on participatory planning and service delivery);
- Strengthening Municipal Associations; and
- Local Economic Development.

Guatemala

The Nexus Municipal Program, implemented by Development Alternatives Inc. (DAI), worked to strengthen municipal governance via increased municipal citizen responsiveness and national decentralization policy reform. The project ended in 2002 and resulted in:

- Fortified channels in which citizens can intervene to influence local level decision-making;

- Increased democratic ability for both city authorities and citizens;
- Improved city expertise and planning/implementation of investment; and
- Stimulated national politics directed towards strengthening decentralization processes and augmenting local authority

In 2002, the Guatemalan Congress passed three major decentralization laws (Municipal Code, Development Councils Law, Decentralization Law) that exhibit significant USAID input. The Nexus Municipal program reached 43 municipalities in five states. With Mission assistance, over 700 community level and 20 municipal level development councils were created. Twenty of the USAID-supported municipalities have implemented cost analysis and recovery schemes for the provision of key services, in addition to implementing integrated financial management systems.

USAID/Guatemala is currently designing a new local governance program. The new program will:

- Encourage policy dialog with national authorities to strengthen and implement decentralization laws;
- Build local government expertise to respond to local needs by improving participatory and transparent municipal planning and management;
- Increase municipal revenue (both at a local level and through an improved national policy environment); and
- Improve service delivery to attract and support private sector investment and economic growth.

Honduras

USAID/Honduras has supported programs to strengthen local governments since the late 1980s. Initially, it supported programs through an agreement with ICMA. The focus has been on association building, training and technical assistance. In the 1990's responsibility for the Mission's municipal development program was transferred to three Honduran entities: the Association of Municipalities of Honduras (AMHON), the technical assistance NGO - FUNDEMUN, and a private University, UNITEC.

The program generated a dramatic increase in local revenue as well as popular participation in local decision-making and basic infrastructure improvements, especially in a core group of forty-one medium sized cities. Municipal income has increased 60 percent in real terms. The number of homes that receive municipal water, sanitation and garbage collection services increased from 17 to 36 percent between 1991 and 2001.

At the same time, the quality of candidates seeking elected municipal office has increased as well. While local governments have responded impressively to the new legal authority and responsibility, the national government has not transferred significant resources and support to local governments to carry out local government mandates.

Because a core group of medium-sized cities exists which are managing their own basic government services, the Mission has realigned efforts to help the national government manage the transference of many services. The Mission plans to concentrate efforts

toward geographically high growth-potential, medium-sized cities and aims strengthen to rural areas to promote increased prosperity. It predicts the priorities on decentralization of the new Government of Honduras administration will provide opportunities to address important development issues. These include health, education, land registration, economic development and risk management.

El Salvador

The Mission's Municipal Development Program, being carried out by U.S consulting consortium, Research Triangle, Inc., for the past eight years has fortified citizen participation in local democratic processes and aims to improve municipal skills to respond to citizen needs. After a pilot stage with seven municipalities in 1995, the project expanded to 28 municipalities. The activity included the modernization of legal and institutional frameworks of the legislative assembly and municipal organizations as a means to decentralize and develop local city activities.

The technical assistance to the 28 municipalities to improve local expertise in financial systems, administrative systems, and public services has already produced results. It has:

- Increased ordinary income of the municipalities by 180 percent;
- Increases services coverage (streets, lighting, potable water, etc.) by 104 percent;
- Introduced new and more efficient ways to provide services (e.g. as mixed public/private municipal utilities, coordination with neighboring cities, and outsourcing);
- Improved internal audit controls of municipal budgeting, including citizen oversight practices; and
- Improved openness of municipal planning and operations through public forums, radio programs, public budget hearings, and participatory strategic planning

The Mission's municipal development program helps around 25 municipalities to improve their financial and human resource administration accountability and their public services. The new program fosters collaboration between groups of cities to share infrastructure and services data and to develop mini-regions of services through alliances with the private sector.

The Mission works with COMURES, the association of El Salvadoran municipalities, to further its institutional development by strengthening sub-national chapters. The Research Triangle Institute and the Salvadoran National Mayors Association provide support direction.

Nicaragua

Due to a lack of funding, the Mission was forced to terminate its local government program with partner U.S. consulting firm PADCO Inc in October 2001. It began in 1995. This program successfully worked with municipal development associations to promote political participation and openness so that local officials would be more responsive to citizen needs.

It concentrated on strengthening 14 cities by providing technical assistance to raise their employees' expertise. One of its major achievements was to introduce the concept and practice of a "city manager" – a non-elected official having the professional qualifications to assume the administrative and managerial tasks that can frequently overburden an elected mayor.

On the national level, the program decentralized legislation and institutional reform in collaboration with the national municipal association (AMUNIC) and the Nicaraguan Institute of Municipal Development (INIFOM). A new national municipal budget law, reflecting the procedures and processes developed under the USAID program, was enacted and put into practice in 2001.

Unfortunately, the premature termination of the program left unfinished a number of planned improvements in municipal regulatory provisions, including citizen participation, fiscal transfers, municipal career service, and procurement.

Mexico

The USAID Mission in Mexico is promoting enhanced participation of citizens in the local democratic process through a Cooperative Agreement with ICMA. ICMA has been working through the Resource Cities Program to provide US pro-bono technical assistance to municipalities in Mexico to improve the level of services and citizen participation. In addition, ICMA provides assistance to strengthen the responsiveness of municipal associations to their members. The USAID Mission supports national-level agencies that have a direct impact on local government. In response to this, ICMA has been working with several key agencies to:

- Promote certification and accreditation of municipal staff;
- Propose changes to the way that local government performance is measured and rewarded through federal funding mechanisms (transfers);
- Assist in the development of tools (comparative performance measures) that can be used by citizens and local government managers to ensure accountability, transparency, and improve performance;
- Develop and implement easy-to-use tools through which local government transparency can be measured by citizens and governmental agencies to ensure appropriate use of public funds; and
- Develop initiatives that reform and improve on national and state fiscal coordination laws and policies.

In addition, USAID/Mexico works with Evensen Dodge, a U.S. municipal financial advisory firm to implement new credit mechanisms that encourage capital markets participation in local infrastructure and urban service financing.

South America

Bolivia

From 1995-2003, Chemonics International implemented the USAID-financed Democratic Development and Citizen Participation Project (DDCP) to support the full

implementation of the 1994 Popular Participation Law (PPL). ICMA has continued project implementation since 2003.

With the passage of the PPL, Bolivia:

- Created 311 municipalities in which city government representatives are elected by popular vote;
- Effectively integrated large sectors of the population into the Bolivian state by establishing local territorial jurisdictions in both urban and rural areas and providing legal recognition to geographically and ethnically-based local community organizations to form Vigilance Committees to exercise “social control” over the use of co-participation funds by municipal governments; and
- Provided cities with the resources to effect local development by endowing municipalities with 20 percent of the national income distributed to municipalities on a per-capita basis.

For the first time in history, the country’s mostly rural, indigenous population actively participates in mainstream local politics, both as elected representatives and as interested parties who want to manage local resources for development.

In 2002, the USAID program assisted approximately 175 cities by providing technical assistance in municipal accounting, budgeting, civic education, fiscal and financial programming, human resource development, meeting facilitation and municipal legislation. Intensive training of municipal staff (municipal councils, vigilance committees, mayors' offices) and civil society organizations continues. Of primary concern are the strengthening of vigilance committees to better represent community interests and open participation in the development of annual operating plans. The practices, procedures, and systems developed by the DDCP project are now accepted as national norms for all of Bolivia’s cities.

The Mission also assisted Bolivia’s new private Federation of Municipal Associations to establish a municipal Intranet similar to MUNITEL in Chile. ICMA was contracted to help launch ENLARED in 2001, connecting for the first time the country's municipal associations and a growing number of cities. ENLARED has recently been officially adopted by the Ministry of Municipal Development and the National Federation of Municipal Associations as a primary instrument to provide municipal information and communication via the Internet. The portal plans to launch an important on-line auction of municipal supplies, which will make the acquisition of supplies more open and less expensive. If successful, these auctions have the potential to generate revenue for sustaining the portal.

Colombia

USAID/Colombia’s Democratic Local Government (DLG) is part of Plan Colombia, a drug interdiction and narco-terrorism program between the US and Colombia. Associates in Rural Development (ARD) has been working since 2001 to implement the

program throughout the country. The core components of the program are: community participation; municipal strengthening; transparency and accountability; and the creation of a social investment fund. The DLG program is strategically linked to other Mission activities in anti-corruption, alternative development for rural areas, human rights, and justice.

The strengthening of local government institutions has recently been considerably expanded. Approximately 100 social infrastructure projects are under way in an estimated 60 cities. In addition, citizen oversight committees are being established in each of these cities. The Mission is working with Casals & Associates to provide support to citizen groups in 20 municipalities to strengthen their oversight of public resources.

Ecuador

Through a local government strengthening program with ARD, USAID/Ecuador works with 15 medium-sized local governments and their communities to engage in the democratically planning and delivery of services prioritized by communities. This program utilizes participatory practices, alliance building, strategic planning and improve financial management. While the scale of this program is smaller than many, it has resulted in successful popular participation and consensus building exercises that are leading to a decentralization of policy making. In addition, the Mission is implementing a small program with the Pan American Health Organization to test and demonstrate how local governments can improve planning for local health and reproductive health services.

Guyana

USAID/Guyana is bringing together local officials, the public, business associations and civic groups in the medium-sized city of New Amsterdam to address common challenges to development. Through a Resource Cities Partnership administered by ICMA, local government officials from Huntsville, Texas work with these stakeholders to identify and prioritize the city's needs and employ collaborative information gathering and urban problem solving methodologies.

It is intended that these participatory exercises will help overcome historic ethnic tensions between Guyanese communities of Indian and African origin and begin to breathe new life into the city. Actively participating are New Amsterdam local officials, Indian and African Guyanese women's groups and the local Chamber of Commerce. Sam Houston State University, located in Huntsville, is providing economic development expertise and options. In addition, to promote open cooperation and accountability, the Mission anticipates the program will result in a more open, participatory budget process and more decentralization of services.

Paraguay

The Mission works with ARD and a local nonprofit organization (ALTERVIDA to help 21 cities provide basic services: water and sanitation, solid waste, education, land use planning, and infrastructure maintenance. Six of the thirty targeted cities have improved

their service delivery through alternative financial mechanisms that use private sector, community, or new public financial resources. The first municipal sanitary landfill in the country certified by the Ministry of Environment was the result of this USAID technical assistance. It has become the model for other municipalities to emulate.

USAID/Paraguay also is working with the Ministry of Finance and municipal associations to monitor the transfer of royalties from two bi-national dams to local government jurisdictions. The municipal associations oversee many central government activities and their denouncing of bribery requests made by public officials lent credence to discussions that the strengthening of democracy is taking root.

The Mission provides technical assistance to help local cities understand how the basic levels of service can be improved by inviting high levels of community participation. The Mission intends to expand the number of local governments that are implementing good governance practices.

USAID is also providing technical assistance so that mediation is used to open greater access to justice at the local level.

Peru

USAID/ Peru has been heavily engaged in promoting strong local government and community participation in seven major coca-growing regions. The objective is to encourage legal crop production, enterprise development, and environmental and drug awareness.

Training mayors, municipal personnel, and community groups as a means to strengthen local government and promote citizen participation – is a major component of the effort. As a result the municipalities within San Martin Department have established a regional municipal association (AMRESAM) to serve as a sustainable link to help improve local institutional responsiveness. At the national level, the program works with a graduate business school, the municipal association, and congressional committees to promote strategic planning, decentralization, and local reform.

USAID/Peru is now expanding its municipal skills-building activities to areas outside the coca-growing region. The new program will have strong emphasis on encouraging citizen participation and the oversight of municipal decision-making, both reinforcing the government's decentralization efforts.

A coalition of U.S. and Peruvian organizations is working with USAID to support the established of a regional and local government monitoring system, known as Vigila Peru. This system includes 37 indicators measuring the performance of 15 of 25 regional governments as well as some local cities. The indicators cover budgeting and expenditures, compliance with governmental standards on transparency, citizen participation, education and health.

The project has had a significant impact, both in terms of better informing citizens of governmental performance but also in resulting in greater openness on the part of the regional and local governments. Regional governments have begun to take proactive steps to address issues highlighted in these performance reports and to compete with each other so that their evaluation for the next period improves.

In coordination with the Ministry of Economy and Finance, the Mission supports the extension of the Integrated Financial Management System (SIAF) to municipalities. The SIAF allows the qualifying cities to become accredited and qualify to receive additional authorities and responsibilities under the ongoing decentralization process.

More than 100 municipalities (of the nearly 2,000 nationwide) now are using this system, based on USAID support. Most of these municipalities are in the poorest and most remote parts of the country, providing a true test of the adaptability of this system for municipal use. The SIAF is also helping to improve transparency and accountability.

Conclusion

Democracy in Latin America and the Caribbean has advanced significantly in the last 25 years. However, challenges persist, putting many of these advances at risk.

Though democracy is spreading across the region, in many cases the roots of this democracy are not deep. Increasingly dissatisfied with their democratically-elected leaders, citizens find themselves supporting populists who promise rapid economic growth and crime reduction, often at the expense of democratic values.

USAID Missions and the Democracy and Human Rights Office within USAID's LAC Bureau work to implement President Bush's National Security Strategy by promoting democracy and good governance in the region through ensuring local leadership and citizen participation — both of which are essential for the sustainability of democracy.

USAID is committed to the belief that by enhancing the natural comparative advantages of local governments to deliver public services efficiently and effectively to their constituents, countries in the region will end up with a greater level of expertise and will for good governance.

Updated August 4, 2004